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**October 10, 2025**

Commentary

## Weekly Economic Perspectives

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All eyes on US government shutdown. UK unemployment rate seen steady. UK pay growth to inch down. Australia's unemployment might inch up.

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**Weekly Highlights**

Political uncertainties take center stage while US government shutdown continues.

US: U of M Consumer Sentiment (Oct, prel)

**55.0**

Languishing.

US: U of M 1-yr Inflation Expectations (Oct, prel)

**4.6%**

Still elevated.

US: Consumer Credit Growth (Aug, bil., m/m)

**0.36**

Very weak.

CA: Unemployment Rate (Sep)

**7.1%**

Remained high.

CA: Employment Change (Sep)

**60k**

Stronger than expected.

CA: Hourly Wage (Sep, y/y, perm. employees)

**3.6%**

Steady growth.

JP: Household Spending (Aug, y/y)

**2.3%**

Twice as expected.

JP: Goods PPI (Sep, y/y)

**2.7%**

Trending strong.

AU: Consumer Sentiment (Oct)

**92.1**

Down on inflation, interest rates

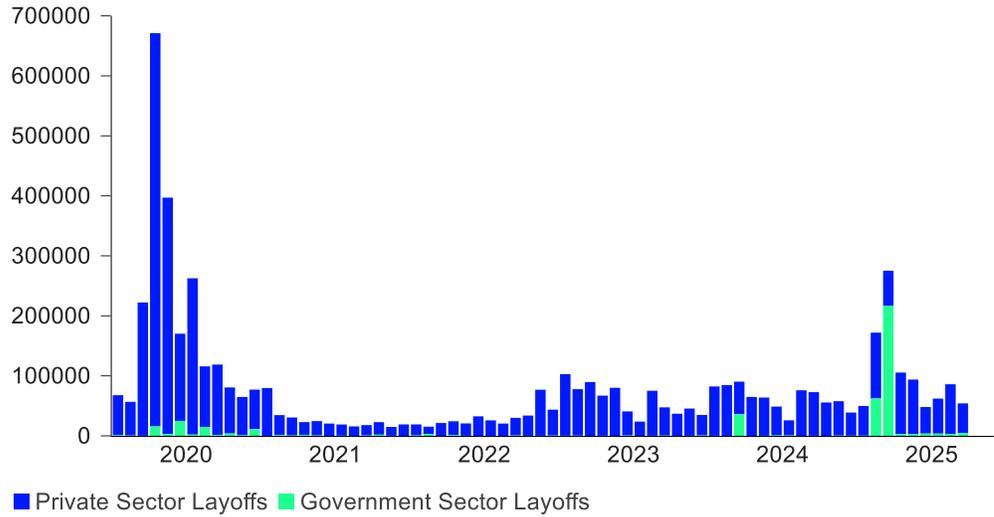
**US: Not DOGE 2.0, But Still a Risk**

With the government shutdown heading into its second week, a number of key economic data releases—including the premier employment report—have been delayed. Naturally, attention has shifted to various relevant private data sources, all of which indicate a labor market lacking vitality. The ADP report, for instance, showed a loss of 32k jobs in September, though its correlation with headline payrolls data is fairly loose so this number should be taken with a grain of salt.

Additionally, news agencies report that permanent layoff notices have started going out to select government employees. These are different from the typical furloughs that happen during a government shutdown, where furloughed employees return to work once the government reopens and receive full retroactive pay. In this case, these appear to be permanent layoffs, similar to the ones that occurred early in the year under DOGE initiatives.

It is unclear how many employees have been impacted so far, nor how many more will be eventually affected. As of now, the numbers reported in the media are in the 5,000 range, which is a small fraction of what transpired in February and March. Nevertheless, given the broader labor market vulnerability—the hiring rate touched a 14-year low (ex-Covid)—there are risks associated with this approach.

**Figure 1: US Government Shutdown Not DOGE 2.0**



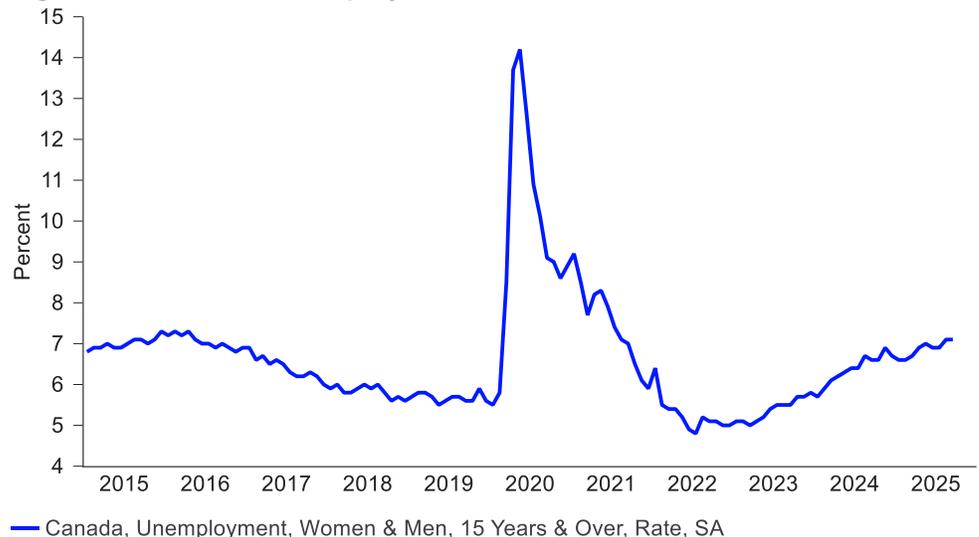
Source: Macrobond, State Street Investment Management, Challenger, Gray & Christmas, Inc.

These layoffs will also create additional difficulties in interpreting future labor market releases. We already expect a big drop in employment in October (linked to the DOGE deferred retirement program). This will make it marginally worse.

**Canada: Elevated Unemployment**

September's stronger-than-expected employment gain of 60k, driven by a surge in full-time jobs, does not eliminate the possibility of an October BoC rate cut, given the still-elevated unemployment rate and potential for a wider output gap. The October 21st CPI release is pivotal and any signs of inflation nearing 2% may prompt another rate cut.

**Figure 2. Canadian Unemployment Rate Remained Elevated**



Source: Macrobond, State Street Investment Management, Statistics Canada

The **unemployment rate** remained unchanged at 7.1% as participation rose slightly. Job growth was concentrated in manufacturing, a sector previously impacted by trade issues, while service sector gains were smaller. Wage growth was steady in September with average hourly wages up 3.6% y/y.

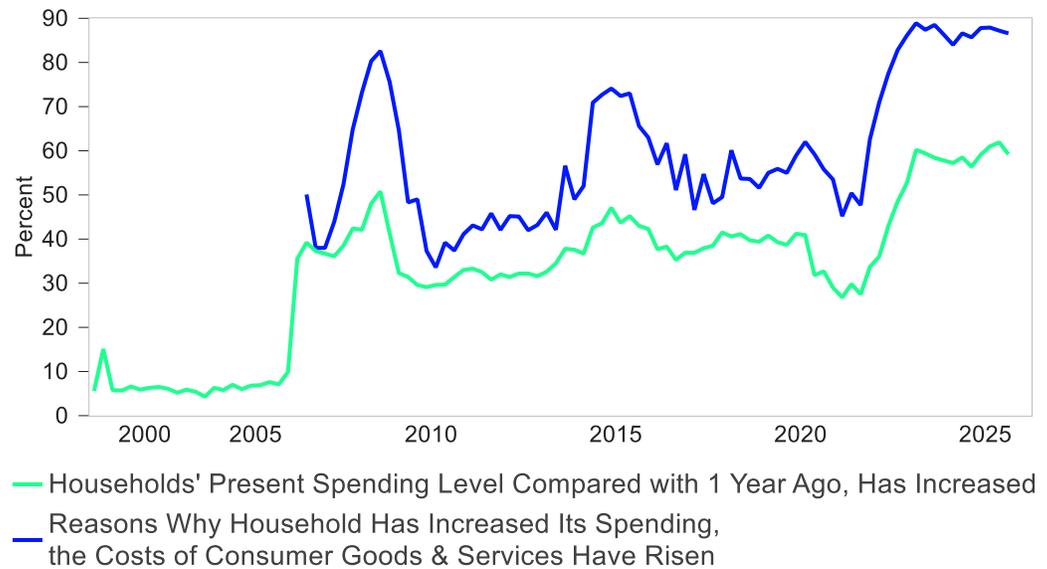
**Japan: Coalition Problems**

Political uncertainty in Japan has intensified following the unexpected dissolution of the 25-year coalition between the Liberal Democratic Party (LDP) and its junior partner, Komeito. This development has left the ruling coalition on unstable footing, with no single party currently holding a majority in either house of the National Diet. Despite this, Sanae Takaichi remains the leading candidate for confirmation as Japan’s first female Prime Minister.

The LDP is scheduled to meet with Komeito leadership this week, while also reportedly exploring alternative coalition partners. In light of the current political impasse, the extraordinary Diet session originally slated to commence on October 15 may be postponed unless a resolution is reached promptly. Given the fluidity of the situation, heightened caution in financial markets is warranted.

On the economic front, household inflation expectations continue to rise. The Bank of Japan’s (BoJ) latest survey indicates that 88% of households anticipate higher inflation over the next year—a nearly three percentage point increase. On average, respondents expect inflation to rise by 11.9%, with many attributing increased consumption to elevated prices (Figure 3).

**Figure 3: Higher Japanese Consumer Spending A Function of Inflation**



Source: Macrobond, State Street Investment Management, Bank of Japan (BOJ)

This trend underscores the potential risks if the BoJ remains behind the curve for an extended period. Anchoring inflation expectations is a critical component of

effective monetary policy. However, given the prevailing political instability, a rate hike at the BoJ's October meeting appears uncertain. That said, we anticipate greater clarity ahead of the meeting, which could revive the possibility of a policy adjustment. Our outlook remains more constructive on the likelihood of a hike compared to consensus expectations.

## Week in Review

Our summary of the key global data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
<b>Monday, Oct 6</b>					
No major data releases.					
<b>Tuesday, Oct 7</b>					
GE	Factory Orders (Aug, m/m)	1.2%	-0.8%	-2.7% (↑)	Soft.
JN	Leading Index CI (Aug, prelim)	107.1	107.4	106.1	Good.
AU	Westpac Consumer Conf (Oct, m/m)	n/a	-3.5%	-3.1%	Soft.
<b>Wednesday, Oct 8</b>					
GE	Industrial Production (Aug, m/m sa)	-1.0%	-4.3%	1.3%	Pretty bad.
JN	Labor Cash Earnings (Aug, y/y)	2.7%	1.5%	3.4% (↓)	Could rise towards December.
<b>Thursday, Oct 9</b>					
JN	Machine Tool Orders (Sep, y/y, prelim)	n/a	9.9%	8.5%	Can it be sustained?
<b>Friday, Oct 10</b>					
US	U.of. Mich. Sentiment (Oct, prelim)	54.0	55.0	55.1	Far from great.
CA	Unemployment Rate (Sep)	7.2%	7.1%	7.1%	Lower than expected.
IT	Industrial Production (Aug, m/m)	-0.4%	-2.4%	0.4%	Weak.

Source: data, Bloomberg®; for commentary, SSGA Economics.

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